

**REPORT OF THE AUDIT OF THE
CALDWELL COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2004**



**CRIT LUALLEN
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EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
CALDWELL COUNTY FISCAL COURT

June 30, 2004

The Auditor of Public Accounts has completed the audit of the Caldwell County Fiscal Court for fiscal year ended June 30, 2004. We have issued an unqualified opinion on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information.

Financial Condition:

The county had net assets of \$4,233,295 as of June 30, 2004. The fiscal court had unrestricted net assets of \$1,772,445 in its governmental activities as of June 30, 2004, with total net assets of \$4,207,710. In its enterprise fund, total net cash and cash equivalents were \$25,585 with total net assets being the same. Total debt principal as of June 30, 2004, was \$3,638,788 with \$232,813 due within the next year.

Deposits:

The fiscal court deposits were insured and collateralized by bank securities.

<u>CONTENTS</u>	PAGE
INDEPENDENT AUDITOR’S REPORT	1
CALDWELL COUNTY OFFICIALS	3
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS.....	7
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS	10
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS.....	15
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	18
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS	23
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS	27
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS	31
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS.....	35
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS	39
NOTES TO FINANCIAL STATEMENTS.....	41
BUDGETARY COMPARISON SCHEDULES	57
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION.....	60
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS.....	63
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS.....	67
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	71
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Van Knight, Caldwell County Judge/Executive
Members of the Caldwell County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Caldwell County, Kentucky, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Caldwell County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Caldwell County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Caldwell County, Kentucky, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The Budgetary Comparison Information is not a required part of the basic financial statement but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit it and express no opinion on it.



To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
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Members of the Caldwell County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Caldwell County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated May 20, 2005 on our consideration of Caldwell County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized flourish at the end.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
May 20, 2005

CALDWELL COUNTY OFFICIALS

For The Year Ended June 30, 2004

Fiscal Court Members:

Van Knight	County Judge/Executive
Elbert Bennett	Magistrate
Shirley B. Gray	Magistrate
Sandy Boaz	Magistrate
George B. Kilgore	Magistrate

Other Elected Officials:

James "Bridgie" Miller	County Attorney
Jim Blackburn	Jailer
Toni Watson	County Clerk
Jo Ann Newsom	Circuit Court Clerk
Stan Hudson	Sheriff
Jimmy Wallace	Property Valuation Administrator
Eddie Pennington	Coroner

Appointed Personnel:

Connie Cartwright	County Treasurer
Joyce Gilkey	Occupational Tax Collector
Betty Holt	Finance Officer

CALDWELL COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2004

CALDWELL COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2004

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,772,445	\$ 25,585	\$ 1,798,030
Total Current Assets	<u>1,772,445</u>	<u>25,585</u>	<u>1,798,030</u>
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Land and Land Improvements	188,950		188,950
Buildings	4,939,976		4,939,976
Vehicles and Equipment	589,720		589,720
Infrastructure Assets - Net of Depreciation	<u>355,407</u>		<u>355,407</u>
Total Noncurrent Assets	<u>6,074,053</u>		<u>6,074,053</u>
Total Assets	<u>7,846,498</u>	<u>25,585</u>	<u>7,872,083</u>
LIABILITIES			
Current Liabilities:			
Bonds Payable	80,000		80,000
Financing Obligations Payable	<u>152,813</u>		<u>152,813</u>
Total Current Liabilities	<u>232,813</u>		<u>232,813</u>
Noncurrent Liabilities:			
Bonds Payable	2,670,000		2,670,000
Financing Obligations Payable	<u>735,975</u>		<u>735,975</u>
Total Noncurrent Liabilities	<u>3,405,975</u>		<u>3,405,975</u>
Total Liabilities	<u>3,638,788</u>		<u>3,638,788</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	2,435,265		2,435,265
Unrestricted	<u>1,772,445</u>	<u>25,585</u>	<u>1,798,030</u>
Total Net Assets	<u>\$ 4,207,710</u>	<u>\$ 25,585</u>	<u>\$ 4,233,295</u>

The accompanying notes are an integral part of the financial statements.

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CALDWELL COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

CALDWELL COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government (and Administration)	\$ 1,528,621	\$ 4,077	\$ 384,103	\$ 80,650
Protection to Persons and Property	1,128,914	218,127	301,164	667,413
General Health and Sanitation	126,877	2,184	18,503	
Social Services	10,000		108,730	
Recreation and Culture	66,959			
Roads	698,522		860,513	329,500
Airports	840			
Interest on Long Term Debt	218,492			
Capital Projects	96,171			
Total Governmental Activities	3,875,396	224,388	1,673,013	1,077,563
Business-type Activities:				
Jail Canteen	31,104	40,516		
Total Business-type Activities	31,104	40,516		
Total Primary Government	\$ 3,906,500	\$ 264,904	\$ 1,673,013	\$ 1,077,563

General Revenues:

Taxes:

Real Property Taxes

Personal Property Taxes

Motor Vehicle Taxes

Other Taxes

In Lieu of Tax Payments

Excess Fees

Intergovernmental Revenues

Miscellaneous Revenues

Interest Earned

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

CALDWELL COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2004
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (1,059,791)	\$	\$ (1,059,791)
57,790		57,790
(106,190)		(106,190)
98,730		98,730
(66,959)		(66,959)
491,491		491,491
(840)		(840)
(218,492)		(218,492)
(96,171)		(96,171)
(900,432)		(900,432)
	9,412	9,412
	9,412	9,412
(900,432)	9,412	(891,020)
261,314		261,314
44,105		44,105
67,057		67,057
1,334,190		1,334,190
35,599		35,599
8,837		8,837
73,235		73,235
38,315		38,315
16,408	106	16,514
1,879,060	106	1,879,166
978,628	9,518	988,146
3,229,082	16,067	3,245,149
\$ 4,207,710	\$ 25,585	\$ 4,233,295

The accompanying notes are an integral part of the financial statements.

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CALDWELL COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2004

CALDWELL COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2004

	General Fund	Road Fund	LGEA Fund	Non- Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 863,325	\$ 664,016	\$ 214,838	\$ 30,266	\$ 1,772,445
Total Assets	<u>\$ 863,325</u>	<u>\$ 664,016</u>	<u>\$ 214,838</u>	<u>\$ 30,266</u>	<u>\$ 1,772,445</u>
FUND BALANCES					
Reserved for:					
Encumbrances	\$ 189,196	\$ 65,304	\$	\$ 3,125	\$ 257,625
Unreserved:					
General Fund	674,129				674,129
Special Revenue Funds		598,712	214,838	27,141	840,691
Total Fund Balances	<u>\$ 863,325</u>	<u>\$ 664,016</u>	<u>\$ 214,838</u>	<u>\$ 30,266</u>	<u>\$ 1,772,445</u>

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:

Total Fund Balances	\$ 1,772,445
Amounts Reported for Governmental Activities in the Statement of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources and Therefore Are Not Reported in the Funds.	7,208,368
Depreciation	(1,134,315)
Long-term Debt Is Not Due and Payable in the Current Period and, Therefore, Is Not Reported in the Funds.	
Financing Obligations	(888,788)
Bonded Debt	(2,750,000)
Net Assets of Governmental Activities	<u>\$ 4,207,710</u>

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CALDWELL COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

CALDWELL COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

	General Fund	Road Fund	LGEA Fund
REVENUES			
Taxes	\$ 1,663,233	\$	\$
In Lieu Tax Payments	35,599		
Excess Fees	8,837		
Licenses and Permits	683		
Intergovernmental	1,148,082	1,156,598	200,938
Charges for Services			
Miscellaneous	135,905	5,091	4,284
Interest	10,305	4,965	886
Total Revenues	<u>3,002,644</u>	<u>1,166,654</u>	<u>206,108</u>
EXPENDITURES			
General Government	1,071,433		22,524
Protection to Persons and Property	514,911		20,500
General Health and Sanitation	44,935		33,196
Social Services	10,000		
Recreation and Culture	66,959		
Roads		987,758	40,172
Airports	840		
Debt Service	546,948	513	
Capital Projects	7,500		8,021
Administration	370,194	92,639	9,451
Total Expenditures	<u>2,633,720</u>	<u>1,080,910</u>	<u>133,864</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>368,924</u>	<u>85,744</u>	<u>72,244</u>
Other Financing Sources (Uses)			
Lease Proceeds	142,840		
Borrowed Money	137,000		
Transfers from Other Funds	95,586		
Transfers to Other Funds	(432,240)	(91,686)	
Total Other Financing Sources (Uses)	<u>(56,814)</u>	<u>(91,686)</u>	
Net Change in Fund Balances	312,110	(5,942)	72,244
Fund Balances - Beginning (restated)	551,215	669,958	142,594
Fund Balances - Ending	<u>\$ 863,325</u>	<u>\$ 664,016</u>	<u>\$ 214,838</u>

The accompanying notes are an integral part of the financial statements.

CALDWELL COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2004
(Continued)

Non- Major Governmental Funds	Total Governmental Funds
\$ 43,433	\$ 1,706,666
	35,599
	8,837
	683
354,420	2,860,038
73,276	73,276
7,237	152,517
252	16,408
<u>478,618</u>	<u>4,854,024</u>
-	1,093,957
690,792	1,226,203
	78,131
	10,000
	66,959
	1,027,930
	840
30,435	577,896
80,650	96,171
104,232	576,516
<u>906,109</u>	<u>4,754,603</u>
(427,491)	99,421
	142,840
	137,000
432,240	527,826
(3,900)	(527,826)
<u>428,340</u>	<u>279,840</u>
849	379,261
29,417	1,393,184
<u>\$ 30,266</u>	<u>\$ 1,772,445</u>

The accompanying notes are an integral part of the financial statements.

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**CALDWELL COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2004

**CALDWELL COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2004

Net Change in Fund Balances - Total Governmental Funds	\$	379,261
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay		730,019
Depreciation Expense		(210,216)

The issuance of long-term debt (e.g. bonds, financing obligations) provides current financial resources to governmental funds, while the repayment of principal on long-term debt consumes the current financial resources of governmental funds. These transactions, however, have no effect on net assets.

Financing Obligation		(279,840)
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Lease and bond principal payments are expensed in the Governmental Funds as a use of current financial resources.

Financing Obligations		279,404
Bond Payments		80,000

Change in Net Assets of Governmental Activities	\$	978,628
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The accompanying notes are an integral part of the financial statements.

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CALDWELL COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2004

CALDWELL COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2004

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 25,585
Total Assets	<u>25,585</u>
Net Assets	
Unrestricted	25,585
Total Net Assets	<u><u>\$ 25,585</u></u>

The accompanying notes are an integral part of the financial statements.

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CALDWELL COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

CALDWELL COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Operating Revenues	
Canteen Receipts	\$ 40,516
Total Operating Revenues	<u>40,516</u>
Operating Expenses	
Cost of Sales	<u>31,104</u>
Total Operating Expenses	<u>31,104</u>
Operating Income	<u>9,412</u>
Nonoperating Revenues (Expenses)	
Interest Income	<u>106</u>
Total Nonoperating Revenues (Expenses)	<u>106</u>
Change In Net Assets	9,518
Total Net Assets - Beginning	<u>16,067</u>
Total Net Assets - Ending	<u><u>\$ 25,585</u></u>

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CALDWELL COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

CALDWELL COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

	Business-Type Activities - Enterprise Fund <hr/> Jail Canteen Fund <hr/>
Cash Flows From Operating Activities	
Receipts From Customers	\$ 40,516
Cost of Sales	(31,104)
Net Cash Provided By Operating Activities	<hr/> 9,412 <hr/>
Cash Flows From Investing Activities	
Interest Earned	<hr/> 106 <hr/>
Net Cash Provided By Investing Activities	<hr/> 106 <hr/>
Net Increase in Cash and Cash Equivalents	9,518
Cash and Cash Equivalents - July 1	<hr/> 16,067 <hr/>
Cash and Cash Equivalents - June 30	<hr/> \$ 25,585 <hr/>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	<hr/> \$ 9,412 <hr/>
Total Cash Provided By Operating Activities	<hr/> \$ 9,412 <hr/>

The accompanying notes are an integral part of the financial statements.

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CALDWELL COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2004

CALDWELL COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2004

	<u>Agency Fund</u> Flexible Spending Account <u>Fund</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	<u>\$ 2,676</u>
Total Assets	<u> 2,676</u>
Liabilities	
Amounts Held In Custody For Others	<u> 2,676</u>
Total Liabilities	<u> 2,676</u>
Net Assets	
Total Net Assets	<u><u> \$ 0</u></u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	41
NOTE 2.	DEPOSITS	47
NOTE 3.	CAPITAL ASSETS	48
NOTE 4.	SHORT-TERM DEBT	49
NOTE 5.	LONG-TERM DEBT	49
NOTE 6.	EMPLOYEE RETIREMENT SYSTEM	53
NOTE 7.	DEFERRED COMPENSATION	54
NOTE 8.	INSURANCE	54
NOTE 9.	CHANGES IN ACCOUNTING PRINCIPLES AND PRIOR PERIOD ADJUSTMENTS	54

CALDWELL COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items, are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Caldwell County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service.

Kentucky law provides for election of the officials below from the geographic area constituting Caldwell County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

Additional – Caldwell County Elected Officials

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

CALDWELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The government reports the following major governmental funds:

General Fund - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the Fiscal Court to maintain these revenues and expenditures separately from the General Fund.

CALDWELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for the non-administrative expenses of the county. The primary sources of revenue for this fund are coal severance and mineral taxes collected by the state, other state grants received for litter abatement, and transfers from the General Fund. The Governor's Office for Local Development requires the fiscal court to maintain these revenues and expenditures separately from the General Fund.

The government also has the following non-major funds: Jail Fund, Grant Fund, and Ambulance Fund. These funds are used to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

Proprietary Fund

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenue of the county's enterprise fund is charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise fund include the cost of sales and services and administrative expenses. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Fiduciary Fund

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The Flexible Spending Account Fund is used to account for employees' monies held by the county for medical reimbursement purposes only and is classified as an agency fund. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

CALDWELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

E. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings	\$ 25,000	10-75
Building Improvements	\$ 25,000	10-30
Machinery and Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	5-15
Infrastructure	\$ 20,000	10-50

CALDWELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, KADD Financing Trust, and KACO Leasing Trust financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

G. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

H. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

CALDWELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

I. Joint Ventures

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following are considered joint ventures of the Caldwell County Fiscal Court:

Pennyrile Emergency Assistance Center

The Caldwell County Fiscal Court (Fiscal Court) has retained an ongoing financial responsibility for the Pennyrile Emergency Assistance Center. The Pennyrile Emergency Assistance Center is a joint venture between Fiscal Court and the City of Princeton “to provide a centralized dispatch service for cooperative ambulance, fire, rescue, emergency, and law enforcement agencies” within the county and the city. The Fiscal Court and the City of Princeton are each responsible for fifty percent of the basic administration included in the budget of the Pennyrile Emergency Assistance Center. During fiscal year 2004, the Fiscal Court paid the Pennyrile Emergency Assistance Center \$67,500.

Pennyrile Westpark Industrial Development Authority

The Caldwell County Fiscal Court (Fiscal Court) has retained an ongoing financial responsibility for the Pennyrile Westpark Industrial Development Authority (Park). The Pennyrile Westpark Industrial Development Authority is a joint venture among Fiscal Court and the Counties of Crittenden, Livingston, Lyon, and Trigg “for the purpose of acquiring and developing land, marketing sites, and assisting and supporting tenants at the Park in order to stimulate and promote economic development in the [counties’] jurisdictions”. All parties are responsible for fifteen percent of the basic administration included in the budget of the Park except for Lyon County, which is responsible for forty percent. During fiscal year 2004, the Fiscal Court did not pay the Pennyrile Westpark Industrial Development Authority any funds due to there not being any activity within the organization for this year.

J. Jointly Governed Organizations

A regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that created the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility is considered to be a jointly governed organization. Based on these criteria, the following are considered to be jointly governed organizations of the Caldwell County Fiscal Court: Princeton-Caldwell County Industrial Development Authority and the City-County Park.

CALDWELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 2. Deposits

Deposits

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2004, the primary government's deposits were fully insured or collateralized at a 100% level with collateral of pledged securities held by the county's agent in the county's name.

The County's deposits are categorized below to give an indication of the level of risk assumed by the County as of June 30, 2004

	<u>Bank Balance</u>
FDIC Insured	\$ 216,916
Collateralized with securities held by the pledging depository institution in the County's name	<u>1,824,997</u>
Total	<u><u>\$ 2,041,913</u></u>

CALDWELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2004 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 170,450	\$ 18,500	\$	\$ 188,950
Construction in Progress	31,955	68,194	(100,149)	
Total Capital Assets Not Being Depreciated	202,405	86,694	(100,149)	188,950
Capital Assets, Being Depreciated:				
Buildings	5,404,050	175,149		5,579,199
Vehicles and Equipment	871,894	198,937		1,070,831
Infrastructure		369,388		369,388
Total Capital Assets Being Depreciated	6,275,944	743,474		7,019,418
Less Accumulated Depreciation for:				
Buildings	(544,492)	(94,731)		(639,223)
Vehicles and Equipment	(379,607)	(101,504)		(481,111)
Infrastructure		(13,981)		(13,981)
Total Accumulated Depreciation	(924,099)	(210,216)		(1,134,315)
Total Capital Assets, Being Depreciated, Net	5,351,845	533,258		5,885,103
Governmental Activities Capital Assets, Net	\$ 5,554,250	\$ 619,952	\$ (100,149)	\$ 6,074,053

Caldwell County elected only to report their current year infrastructure.

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 59,947
Protection to Persons and Property	45,551
General Health and Sanitation	53,746
Roads, Including Depreciation of General Infrastructure Assets	<u>50,972</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 210,216</u>

CALDWELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 4. Short-term Debt

In July 2003, Caldwell County participated in the Kentucky Association of Counties Kentucky Advance Revenue Program by issuing 2 notes (\$1,212,500 – General Fund; \$84,200 – Road Fund) in the combined amount of \$1,296,700, with principal being due in January 2004. While the County did not use the borrowed funds in order to meet current General Fund and Road Fund expenses, they were able to reinvest the funds and receive net interest earnings from the Kentucky Association of Counties Kentucky Advance Revenue Program of \$376 (\$352 – General Fund; \$24 – Road Fund).

Changes In Short-term Liabilities

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Kentucky Advance Revenue Program	\$ 0	\$ 1,296,700	\$ 1,296,700	\$ 0
Governmental Activities Short-term Liabilities	\$ 0	\$ 1,296,700	\$ 1,296,700	\$ 0

Note 5. Long-term Debt

A. General Obligation Refunding Bonds, Series 1999 (Hospital Revenue Bonds)

The Caldwell County Fiscal Court has issued General Obligation Refunding Bonds, Series 1999 in the amount of \$3,175,000 for the purpose of refunding Series 1996 bonds. (The Caldwell County Hospital Revenue Bonds Series 1996 had an outstanding principal balance at June 30, 2004 of \$1,370,000.) Interest on the bonds is payable each January and July 1, beginning January 1, 2000. The bonds were issued in principal amounts of \$5,000 and integral multiples thereof and mature at various dates beginning January 1, 2000 through January 1, 2024. The bonds are subject to redemption prior to maturity. Bonds and interest outstanding as of June 30, 2004 were as follows:

<u>Fiscal Year Ended June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 80,000	\$ 143,830
2006	85,000	140,150
2007	90,000	136,240
2008	95,000	131,560
2009	100,000	126,620
20010-2014	580,000	549,560
2015-2019	745,000	380,597
2020-2024	975,000	160,325
Totals	<u>\$ 2,750,000</u>	<u>\$ 1,768,882</u>

CALDWELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 5. Long-term Debt (Continued)

B. Courthouse Annex

The Caldwell County Fiscal Court has entered into a lease purchase agreement with Kentucky Association of Counties Leasing Trust Program (KACoLT) for the construction of the courthouse annex for \$215,000. The terms of the lease agreement are 15 annual principal payments and monthly interest payments at an interest rate of 5.69%. The Caldwell County Fiscal Court was in compliance with the terms of the agreement as of June 30, 2004. The principal balance at June 30, 2004 was \$108,000. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 16,000	\$ 6,803
2006	17,000	5,701
2007	17,000	4,560
2008	19,000	3,363
2009	19,000	2,199
2010	20,000	783
Totals	<u>\$ 108,000</u>	<u>\$ 23,409</u>

C. Economic Speculation Building

The Caldwell County Fiscal Court has entered into a lease purchase agreement with Kentucky Association of Counties Leasing Trust Program (KACoLT) for the purchase of an economic speculation building for \$500,000. The terms of the lease agreement are monthly principal payments and monthly interest payments over 10 years at an interest rate of 2.06%. The Caldwell County Fiscal Court was in compliance with the terms of the agreement as of June 30, 2004. The principal balance at June 30, 2004 was \$318,655. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 50,207	\$ 8,427
2006	51,638	7,005
2007	53,109	5,539
2008	54,622	4,041
2009	56,178	2,492
2010	52,901	888
Totals	<u>\$ 318,655</u>	<u>\$ 28,392</u>

CALDWELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 5. Long-term Debt (Continued)

D. Ambulance Service Building

The Caldwell County Fiscal Court has entered into a lease purchase agreement with Kentucky Association of Counties Leasing Trust Program (KACoLT) for the construction of an ambulance building for \$300,000. The terms of the lease agreement are 15 annual principal payments with monthly interest payments at an interest rate of 5.35%. The Caldwell County Fiscal Court was in compliance with the terms of the agreement as of June 30, 2004. The principal balance at June 30, 2004 was \$167,000. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 21,000	\$ 10,088
2006	22,000	8,723
2007	23,000	7,293
2008	24,000	5,801
2009	25,000	4,244
2010-2011	52,000	3,591
Totals	<u>\$ 167,000</u>	<u>\$ 39,740</u>

E. Fire Truck

In November 2003, the Caldwell County Fiscal Court refinanced \$137,000 with the Kentucky Area Development District Leasing Fund (KADD). The original lease purchase agreement for \$200,000 was signed in April 1999 for the purchase of a fire truck. The terms of the lease agreement are biannual principal and interest payments due in November and May with an average interest rate of 3.07%. The Caldwell County Fiscal Court was in compliance with the terms of the agreement as of June 30, 2004. The principal balance at June 30, 2004 was \$114,000. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 22,000	\$ 3,253
2006	22,000	2,730
2007	23,000	2,135
2008	24,000	1,490
2009	23,000	916
Totals	<u>\$ 114,000</u>	<u>\$ 10,524</u>

CALDWELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 5. Long-term Debt (Continued)

F. Fire Equipment

In March 2003, the Caldwell County Fiscal Court entered into a lease purchase agreement with the Kentucky Association of Counties Leasing Trust Program (KACoLT) for the purchase of fire equipment for \$80,000. The interest rate is fixed at 2.67% with 5 annual principal payments starting January 2004 and monthly interest payments. The Caldwell County Fiscal Court was in compliance with the terms of the agreement as of June 30, 2004. The principal balance at June 30, 2004 was \$65,000. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 16,000	\$ 1,955
2006	16,000	1,419
2007	16,000	883
2008	17,000	332
Totals	<u>\$ 65,000</u>	<u>\$ 4,589</u>

G. E-911 Software

In September 2003, the Caldwell County Fiscal Court entered into a lease purchase agreement with the Kentucky Association of Counties Leasing Trust Program (KACoLT) for the purchase of E-911 software for \$142,840. The terms of the lease agreement are five (5) annual principal payments and monthly interest payments at a variable interest rate. The Caldwell County Fiscal Court was in compliance with the terms of the agreement as of June 30, 2004. The principal balance at June 30, 2004 was \$116,133. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 27,606	\$ 4,440
2006	28,537	3,259
2007	29,498	2,031
2008	30,492	762
Totals	<u>\$ 116,133</u>	<u>\$ 10,492</u>

CALDWELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 5. Long-term Debt (Continued)

H. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2004, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 2,830,000	\$	\$ 80,000	\$ 2,750,000	\$ 80,000
Financing Obligations	888,352	279,840	279,404	888,788	152,813
Governmental Activities					
Long-term Liabilities	<u>\$ 3,718,352</u>	<u>\$ 279,840</u>	<u>\$ 359,404</u>	<u>\$ 3,638,788</u>	<u>\$ 232,813</u>

Note 6. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.34 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 18.51 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

CALDWELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 7. Deferred Compensation

The Caldwell County Fiscal Court has elected to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permit all full-time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority at 105 Sea Hero Road, Suite 1, Frankfort, KY 40601-8862 or by telephone at (502) 573-7925.

Note 8. Insurance

For the fiscal year ended June 30, 2004, Caldwell County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 9. Changes in Accounting Principles and Prior Period Adjustments

The county has implemented Governmental Accounting Standards Board (GASB) Statements 33, 34 and 37, as they relate to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements. The effect of this change on the beginning net assets of the governmental type activities is as shown in the chart below:

	Governmental Activities	General Fund	Jail Fund
Beginning Balances	\$ 1,392,764	\$ 551,197	\$ 28,761
Capital Assets (net of accumulated depreciation) previously omitted	5,554,250		
Long-Term Debt previously omitted	(3,718,352)		
Voided Checks	420	18	402
Total Restated Beginning Balances	<u>\$ 3,229,082</u>	<u>\$ 551,215</u>	<u>\$ 29,163</u>

CALDWELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2004

CALDWELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2004

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,451,100	\$ 1,451,100	\$ 1,663,233	\$ 212,133
In Lieu Tax Payments	31,100	31,100	35,599	4,499
Excess Fees	2,905	2,905	8,837	5,932
Licenses and Permits	700	700	683	(17)
Intergovernmental Revenue	792,947	1,784,593	1,148,082	(636,511)
Miscellaneous	452,906	452,906	135,905	(317,001)
Interest	11,500	11,500	10,305	(1,195)
Total Revenues	2,743,158	3,734,804	3,002,644	(732,160)
EXPENDITURES				
General Government	966,082	1,097,536	1,071,433	26,103
Protection to Persons and Property	64,545	1,135,818	514,911	620,907
General Health and Sanitation	40,502	45,677	44,935	742
Social Services	10,000	10,000	10,000	
Recreation and Culture	79,000	154,000	66,959	87,041
Airports	7,500	7,500	840	6,660
Debt Service	710,671	602,503	546,948	55,555
Capital Projects	9,500	9,500	7,500	2,000
Administration	777,187	709,939	370,194	339,745
Total Expenditures	2,664,987	3,772,473	2,633,720	1,138,753
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	78,171	(37,669)	368,924	406,593
OTHER FINANCING SOURCES (USES)				
Lease Proceeds		142,840	142,840	
Borrowed Money			137,000	137,000
Transfers from Other Funds	91,686	91,686	95,586	3,900
Transfers to Other Funds	(549,719)	(549,719)	(432,240)	117,479
Total Other Financing Sources (Uses)	(458,033)	(315,193)	(56,814)	258,379
Net Changes in Fund Balance	(379,862)	(352,862)	312,110	664,972
Fund Balance - Beginning (Restated)	379,862	379,862	551,215	171,353
Fund Balance - Ending	\$ 0	\$ 27,000	\$ 863,325	\$ 836,325

CALDWELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2004
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 693,372	\$ 825,372	\$ 1,156,598	\$ 331,226
Miscellaneous	141,100	213,100	5,091	(208,009)
Interest	6,000	6,000	4,965	(1,035)
Total Revenues	840,472	1,044,472	1,166,654	122,182
EXPENDITURES				
Roads	943,705	1,276,480	987,758	288,722
Debt Service			513	(513)
Administration	254,433	125,658	92,639	33,019
Total Expenditures	1,198,138	1,402,138	1,080,910	321,228
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(357,666)	(357,666)	85,744	443,410
OTHER FINANCING SOURCES (USES)				
Transfers to Other Funds	(91,686)	(91,686)	(91,686)	
Total Other Financing Sources (Uses)	(91,686)	(91,686)	(91,686)	
Net Changes in Fund Balance	(449,352)	(449,352)	(5,942)	443,410
Fund Balance - Beginning	449,352	449,352	669,958	220,606
Fund Balance - Ending	\$ 0	\$ 0	\$ 664,016	\$ 664,016

CALDWELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2004
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 106,952	\$ 106,952	\$ 200,938	\$ 93,986
Miscellaneous	2,100	2,100	4,284	2,184
Interest	500	500	886	386
Total Revenues	109,552	109,552	206,108	96,556
EXPENDITURES				
General Government	27,036	27,027	22,524	4,503
Protection to Persons and Property	20,000	20,500	20,500	
General Health and Sanitation	38,703	38,703	33,196	5,507
Social Services	2,500	2,290		2,290
Roads	40,000	40,172	40,172	
Capital Projects	15,000	42,000	8,021	33,979
Administration	16,960	16,507	9,451	7,056
Total Expenditures	160,199	187,199	133,864	53,335
Excess (Deficiency) of Revenues Over Expenditures	(50,647)	(77,647)	72,244	149,891
Net Changes in Fund Balances	(50,647)	(77,647)	72,244	149,891
Fund Balances - Beginning	50,647	50,647	142,594	91,947
Fund Balances - Ending	\$ 0	\$ (27,000)	\$ 214,838	\$ 241,838

CALDWELL COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2004

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**CALDWELL COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2004

**CALDWELL COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2004

	Jail Fund	Grant Fund	Ambulance Fund	Total Non-Major Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 25,028	\$	\$ 5,238	\$ 30,266
Total Assets	<u>\$ 25,028</u>	<u>\$ 0</u>	<u>\$ 5,238</u>	<u>\$ 30,266</u>
FUND BALANCES				
Unreserved:				
Special Revenue Funds	\$ 25,028		\$ 5,238	\$ 30,266
Total Fund Balances	<u>\$ 25,028</u>	<u>\$ 0</u>	<u>\$ 5,238</u>	<u>\$ 30,266</u>

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CALDWELL COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2004

CALDWELL COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary
Information

For The Year Ended June 30, 2004

	Jail Fund	Grant Fund	Ambulance Fund	Total Non-Major Governmental Funds
REVENUES				
Taxes	\$	\$	\$ 43,433	\$ 43,433
Intergovernmental	144,851	80,650	128,919	354,420
Charges For Services	73,276			73,276
Miscellaneous	7,237			7,237
Interest	199		53	252
Total Revenues	<u>225,563</u>	<u>80,650</u>	<u>172,405</u>	<u>478,618</u>
EXPENDITURES				
Protection to Persons and Property	355,466		335,326	690,792
Debt Service			30,435	30,435
Capital Projects		80,650		80,650
Administration	104,232			104,232
Total Expenditures	<u>459,698</u>	<u>80,650</u>	<u>365,761</u>	<u>906,109</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(234,135)</u>		<u>(193,356)</u>	<u>(427,491)</u>
Other Financing Sources (Uses)				
Transfers from Other Funds	230,000		202,240	432,240
Transfers to Other Funds			(3,900)	(3,900)
Total Other Financing Sources (Uses)	<u>230,000</u>		<u>198,340</u>	<u>428,340</u>
Net Change in Fund Balances	(4,135)		4,984	849
Fund Balances - Beginning (restated)	29,163		254	29,417
Fund Balances - Ending	<u>\$ 25,028</u>	<u>\$</u>	<u>\$ 5,238</u>	<u>\$ 30,266</u>

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Van Knight, Caldwell County Judge/Executive
Members of the Caldwell County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Caldwell County, Kentucky, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements and have issued our report thereon dated May 20, 2005. Caldwell County presents its financial statements on the modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Caldwell County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Caldwell County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of Caldwell County Fiscal Court, management, and the Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
May 20, 2005

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

CALDWELL COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2004**

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
CALDWELL COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2004

The Caldwell County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Van Knight
County Judge/Executive



Connie Cartwright
County Treasurer